

Message Text

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ORIGIN EB-07

INFO OCT-01 EUR-12 EA-06 IO-10 ISO-00 L-02 FRB-01 OMB-01

TAR-01 SP-02 SWF-01 AGR-05 AID-05 CIAE-00 COME-00

INR-05 LAB-01 NSAE-00 OIC-02 RSC-01 SIL-01 STR-01

TRSE-00 CIEP-01 CEA-01 AF-04 ARA-06 NEA-06 SSO-00

NSCE-00 INRE-00 SS-15 NSC-05 /103 R

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APPROVED BY IO/CMD-JMCDONALD

EB/ORF/ICD-JJINGERSOLL

B/OT/GDP-CBLACK

IO/CMD-RHINES

REAS-JJOHNSON (INFO)

COMM-HBASHKIN (INFO)

SDA-BSHARKEY (INFO)

STR-BSTEINBOCK (INFO)

EB/ORF-JLKATZ(SUBSTANCE)

----- 019821

O 182304Z NOV 74

FM SECSTATE WASHDC

TO USMISSION USUN NEW YORK IMMEDIATE

INFO USMISSION GENEVA IMMEDIATE

USMISSION EC BRUSSELS IMMEDIATE

AMEMBASSY TOKYO IMMEDIATE

AMEMBASSY DUBLIN IMMEDIATE

AMEMBASSY LONDON IMMEDIATE

AMEMBASSY ROME IMMEDIATE

AMEMBASSY PARIS IMMEDIATE

AMEMBASSY COPENHAGEN IMMEDIATE

AMEMBASSY BONN IMMEDIATE

AMEMBASSY LUXEMBOURG IMMEDIATE

AMEMBASSY THE HAGUE IMMEDIATE

AMEMBASSY BRUSSELS IMMEDIATE

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E.O. 11652: N/A

TAGS: ETRD, UNGA, UNCTAD, GATT

SUBJECT: 19TH GA - SECOND COMMITTEE - ITEM 42 UNCTAD

INDEXATION RESOLUTION

1. RESOLUTION ON INDEXATION CURRENTLY BEFORE THE UNGA AND SCHEDULED FOR FINAL CONSIDERATION TUESDAY GOES SIGNIFICANTLY BEYOND UNCTAD TDB RES 124 (XIV) SECTION C REFERENCE TO INDEXATION. MISSIONS IN EC COUNTRIES AND JAPAN ARE REQUESTED TO CONTACT IMMEDIATELY THE APPROPRIATE TRADE POLICY OFFICIALS IN THEIR HOST GOVERNMENTS AND BRING TO THEIR ATTENTION THE IMPLICATIONS OF THE RESOLUTION. MISSIONS SHOULD DRAW UPON THE FOLLOWING IN THEIR PRESENTATIONS.

2. U.S. HAS GREATEST DIFFICULTIES WITH OPERATIVE PARAS THREE AND FIVE. OPERATIVE PARA THREE IMPLIES A PREJUDGMENT OF INDEXATION AS A MEASURE TO EXPAND AND PROTECT THE REAL VALUE OF LDC EXPORT EARNINGS PARTICULARLY FROM COMMODITIES. OPERATIVE PARA FIVE ESTABLISHES A COMMITTEE OF EXPERTS TO QUOTE-IDENTIFY INDEXATION SCHEMES FOR IMPLEMENTATION QBIB-IDENTIFY INDEXATION SCHEMES FOR IMPLEMENTATION.

QUOTE IDENTIFY UNQUOTE INDEXATION SCHEMES FOR IMPLEMENTATION. USUN INDICATES THAT THESE PARAS ARE ACCEPTABLE TO THE EC-9 AND JAPAN (FRG IS ONLY DEL WHICH HAD NOT RECEIVED FINAL

INSTRUCTIONS AS OF NOV. 16) AND THAT NO SUPPORT WAS RECEIVED FOR US AMENDMENTS. SUCH ACCEPTANCE IS INCONSISTENT WITH THE POSITION ON INDEXATION TAKEN BY THESE COUNTRIES (AND THE US) AT THE LAST UNCTAD TDB MEETING AND AT THE WORLD FOOD CONFERENCE. MOREOVER, AT UNCTAD TDB MEETING FRG AND JAPANESE DELS HAD LESS FLEXIBILITY THAN US REGARDING LANGUAGE REFERRING TO INDEXATION.

3. OPERATIVE PARA THREE READS: QUOTE REQUESTS THE SYG OF UNCTAD TO KEEP CURRENT DEVELOPMENTS IN THE WORLD ECONOMY UNDER CONTINUOUS REVIEW AND REPORT AS NECESSARY TO THE LIMITED OFFICIAL USE

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TRADE AND DEVELOPMENT BOARD ON MEASURES THAT, IN THE LIGHT OF A DECLINE IN THE LEVELS OF ECONOMIC ACTIVITIES AND THE EMERGENCY THAT MIGHT CONSEQUENTLY ARISE, MEMBER STATES SHOULD CONSIDER, INDIVIDUALLY OR COLLECTIVELY, IN ORDER TO SUSTAIN AND PROMOTE SUSTAINED GROWTH IN WORLD ECONOMIC ACTIVITY, AND ESPECIALLY TO EXPAND THE EXPORTS OF DEVELOPING COUNTRIES AND TO PROTECT AND EXPAND THE REAL VALUES OF THEIR EXPORT EARNINGS FROM ALL SOURCES AND IN PARTICULAR

FROM PRIMARY COMMODITIES UNQUOTE.

4. US SUGGESTED THE DELETION OF THE LAST PHRASE QUOTE FROM ALL SOURCES AND IN PARTICULAR FROM PRIMARY COMMODITIES UNQUOTE. US REASONING WAS THAT THIS WHOLE PARA RELATES TO QUOTE TERMS OF TRADE UNQUOTE AND INCLUSION OF THIS LAST PHRASE EMPHASIZES THE LINKING OF PROTECTION OF THE QUOTE REAL VALUE UNQUOTE OF LDC EXPORT EARNINGS TO THE EARNINGS FROM PRIMARY COMMODITIES, THUS STRONGLY IMPLYING INDEXATION OF COMMODITY PRICES (THE LINKING OF THE PRICES OF LDC COMMODITY EXPORTS TO AN INDEX OF THE PRICES OF THEIR IMPORTS) AS A MEASURE TO REMEDY LDC ECONOMIC ILLS. THE US HAS ARGUED AGAINST INDEXATION ON BOTH POLICY AND PRACTICAL GROUNDS, I.E., THE ENORMOUS STATISTICAL AND ADMINISTRATIVE DIFFICULTIES INVOLVED IN TRYING TO DEVISE ANY WORKABLE OR MEANINGFUL INDEXATION SCHEME AND THE EXTENSIVE MARKET INTERFERENCE WHICH WOULD BE NECESSARY TO ENFORCE ANY SUCH SCHEME. (US HAD SUGGESTED REPLACEMENT OF PHRASE WITH LANGUAGE ALONG LINES QUOTE PARTICULARLY IN EXPORTS AND EXPORT EARNINGS OF DEVELOPING COUNTRIES UNQUOTE). FRG AND UK DELS STATED THAT THEY COULD ACCEPT THIS PARA AS IT CURRENTLY STANDS WITH THEIR MAKING AFTER ADOPTION AN EXPLANATION OF VOTE STATING THEIR INTERPRETATION THAT THE CONTEMPLATED MEASURES DO NOT INCLUDE INDEXATION. OTHER EC-9 DELS INCLUDING FRANCE INDICATED ACCEPTANCE.

5. OPERATIVE PARA FIVE READS: QUOTE REQUESTS THAT THE SECRETARY-GENERAL OF UNCTAD, IN PURSUANCE OF PART C OF TRADE AND DEVELOPMENT BOARD RESOLUTION 124 (XIV) TO CONVENE A GROUP OF EXPERTS TO EXAMINE THE ISSUE OF INDEXATION IN ALL ITS ASPECTS, WITH A VIEW TO IDENTIFYING PRACTICAL AND FEASIBLE SCHEMES FOR IMPLEMENTATION TAKING LIMITED OFFICIAL USE

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INTO ACCOUNT DISCUSSION ON THE SUBJECT BY THE COMMITTEE ON COMMODITIES AT ITS EIGHTH SESSION AND BY THE SECOND COMMITTEE OF THE GENERAL ASSEMBLY AT ITS TWENTY-NINTH SESSION, AND TO REPORT TO THE TRADE AND DEVELOPMENT BOARD AT ITS FIFTEENTH SESSION FOR SUCH ACTION AS THE BOARD MAY DEEM NECESSARY UNQUOTE.

6. THE US IS PREPARED TO ACCEPT A REQUEST THAT UNCTAD SYG CONVENE A GROUP OF EXPERTS, WHICH WOULD NOT MEET UNTIL AFTER FEBRUARY 1975 MEETING OF UNCTAD COMMITTEE ON COMMODITIES, TO CARRY OUT THE FOLLOWING TASKS: EVALUATE THE PRINCIPAL INDEXATION SCHEMES WHICH HAVE BEEN PROPOSED FOR THEIR FEASIBILITY, PRACTICALITY AND EFFECTS. US UNWILLING TO ACCEPT THAT EXPERT GROUP WILL IDENTIFY

SCHEMES FOR IMPLEMENTATION OR ANY LANGUAGE IMPLYING OR CALLING FOR IMPLEMENTATION OF SCHEMES OF INDEXATION. WE ARE NOT SURE OF THE MEANING OF THE TERM QUOTE IDENTIFY UNQUOTE. ANY DECISION OR JUDGMENT ON IMPLEMENTATION OF AN INDEXATION SCHEME WOULD BE PREMATURE IN THE ABSENCE OF THE STUDIES CALLED FOR IN TDB RES 124 (XIV) SECTION C AND UNTIL GOVERNMENTS HAVE CONSIDERED SUCH STUDIES AND DISCUSSED THEM. IMPLEMENTATION OF ANY SCHEME OF INDEXATION, IF ONE WERE CONSIDERED TO BE FEASIBLE, WOULD BE THE SUBJECT OF DETAILED NEGOTIATIONS AMONG GOVERNMENTS AND WOULD NOT FOLLOW FROM AN UNGA RESOLUTION OR THE REPORT OF AN EXPERT GROUP. US ALSO UNWILLING TO AUTHORIZE COMMITTEE OF EXPERTS TO MEET BEFORE FEB. COMMITTEE ON COMMODITIES IN ANY CASE, INTENT RE TIMING SHOULD BE MADE CLEAR IN RESOLUTION. FRENCH, JAPANESE AND UK DELS HAD ACCEPTED LANGUAGE QUOTED PARA FIVE ABOVE BEFORE LAST US ATTEMPT TO AMEND IT. US AMENDMENTS ELICITED NO RESPONSE OR SUPPORT FROM EC-9 OR JAPAN. FRG HAD NOT RECEIVED FINAL INSTRUCTIONS AS OF NOV. 16.

7. US CANNOT ACCEPT CURRENT LANGUAGE OF OPERATIVE PARAS THREE AND FIVE QUOTED ABOVE. IN FINAL CONSIDERATION TUES. NOV. 19 US DEL IS INSTRUCTED NOT REPEAT NOT TO JOIN IN CONSENSUS, BUT TO CALL FOR VOTE, AND VOTE AGAINST RESOLUTION WITH STATEMENT OF EXPLANATION. IN LIGHT OF POLICY AND PRACTICAL DIFFICULTIES OF INDEXATION AND LIMITED OFFICIAL USE

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EMPHASIS PLACED ON DEVELOPED COUNTRY SOLIDARITY AT UNCTAD TDB MEETING AND WORLD FOOD CONFERENCE NEGOTIATION OF MEXICAN DRAFT RESOLUTION ON TRADE AND PRICE STABILIZATION, US HOPES THAT SUPPORT FOR US POSITION WILL BE FORTHCOMING. INGERSOLL

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